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SUBJECT: UNODC FINANCIAL-GOVERNANCE WORKING GROUP

REF: State 112722

SUMMARY

¶1. (SBU) Co-chairs of the Open-ended Intergovernmental Working Group on Improving Governance and Financial Situation of the UNODC (FinGov) convened a two-hour informal meeting with key members on October 23 to discuss options of improving the financial stability of UNODC. The options included requesting a large allocation from UN New York for UNODC's regular budget (RB), ways of increasing the General Purpose Fund (GPF); the adoption of thematic and regional programming by UNODC; and the establishment of separate funding mechanisms for the UN Convention on Transnational Organized Crime (UNTOC) and the UN Convention against Corruption (UNCAC). Counselor delivered Reftel talking points. The meeting ended without definite conclusions.

Disagreement on the Regular Budget

¶2. (SBU) Disagreement persisted regarding the size of the UNODC's share of the UN's regular budget (RB). Argentina, Cuba, Pakistan and Egypt vigorously advocated an increase in the UNODC's RB. All stated current levels were inadequate and hampered the organization's ability to carry out its mandates with integrity and independence. Egypt had a somewhat subtler approach: it wants UNODC to define its core functions which, in Egypt's opinion, should be funded from the RB. These representatives referred repeatedly to UNODC's Independence Evaluation Unit (IEU), which they described as a core function that should be funded by the RB but is not. Cuba criticized UNODC for increasingly resembling a private corporation, accountable only to buyers with money (i.e., the major donors).

¶3. (SBU) Per reftel, Counselor voiced USG opposition to any request to New York for a bigger allocation for the UNODC regular budget. Japan and Canada urged UNODC to conduct a thorough review of its internal management, and streamline its operations to eliminate inefficiencies. Furthermore, they agreed with the U.S. that it is UNODC Executive Director Costa's responsibility to make the case for additional funds to the Secretary General and the Controller in UN New York. Canada seemed to have softened its previous position, stating it is willing to consider increased allocation for the RB if it could be thoroughly justified.

¶4. (SBU) Many delegations--including Germany, Norway, Egypt and Pakistan--repeatedly brought up the question of "core" versus "non-core" activities. The IEU again was cited as an example of a "core" activity that should be funded by RB funds. These delegations all argued for the need for a clear articulation of "core" activities as a way to justify the case for an increase in RB funds.

¶5. (SBU) Disagreement also persisted over how member states should advance a recommendation for increased RB funds. While Cuba and others asserted that the fight for funds was a matter for the 5th

Committee in NY, they also agreed that the Drug Commission (CND) and the Crime Commission (CCPCJ) could put forth formal recommendations for increased RB funds. Russia disagreed, stating that the two Commissions were not competent to make such a request. Russia expressed its belief that any request for RB funds should go through the General Assembly (GA).

Skepticism on Proposals to Increase GPF

¶6. (SBU) All delegations in attendance agreed on the need for improved reporting and transparency regarding the use of GPF. Many expressed continued frustration with the manner in which the UNODC reports its GPF expenditures. Canada bluntly stated the hope that Canadian "auditors don't look too closely at the UNODC reports." Canada expressed the sentiment shared by others that better reporting would help raise confidence in UNODC, and could lead to increased GPF donations. Pakistan similarly expressed confusion regarding how GPF is spent. Egypt expressed a desire for all reports--including UNODC reports to donors--be made available to all member states. (Note: In a subsequent conversation, a senior UNODC official indicated to Counselor that such reports could not be shared without the permission of the donors. End Note.)

¶7. (SBU) UNODC officers in attendance expressed dismay over the transparency discussion. They reminded member states that the latest results-based budget, created to address member state concerns, was widely praised for its transparency and clarity. However, UNODC watched as GPF contributions promptly declined 6%. UNODC stated that it can always create more reports, but there comes a point when the entire management and reporting process becomes unsustainable.

¶8. (SBU) Egypt, Cuba and Pakistan all agreed that Special Purpose Funds (SPF) earmarked for specific projects, distort the role of the UNODC. Egypt asserted that SPF donations are in violation of GA resolutions. He proposed to have SPF donations heavily "taxed," a proposal supported by Cuba and Pakistan. Russia, Japan, U.S. and Canada all objected to such a proposal, pointing out that SPF are already "taxed," since there is a 13% program support cost (PSC) levy for such donations. (Note: In an earlier meeting, UNODC indicated that the average PSC levy for UNODC projects was 6% to 7%. We understand that the European Commission had negotiated such a rate for its SPF contributions. Counselor underscored that the U.S. always pays 13%. End Note.)

¶9. (SBU) There was little support for the adoption of a voluntary indicative scale of contributions (VISC), although France stated if it helps broaden the donor base, it would be willing to explore the topic.

Audience Receptive to Thematic Programming

¶10. (SBU) Argentina was enthusiastic in its support for this proposal. Other delegations also expressed openness to the idea. UNODC officials warned of capacity problems if thematic and regional programming is not implemented. They are currently considering a policy of rejecting any SPF contribution that is less than 500,000 USD, as they state the costs associated with managing small programs are simply too great. However, thematic and regional programming could resolve such problems, they said. The UNODC head office will set the themes, and the field office will develop the programs/projects on the ground. Further, UNODC believes regional programming would get more "buy-in" from the recipient countries, as they would be the architects of the program, in partnership with UNODC. Once a program is developed at the ground level, UNODC would approach donor countries for funds. UNODC warned that there could not be SPF within such programs, however. The costs associated with managing SPF within these programs, they asserted, would be too great.

Separate Funding Mechanisms for UNTOC and UNCAC?

¶12. (SBU) Argentina expressed support for the idea, but warned that such mechanisms must be compulsory. Argentina pointed to UNESCO as

an example of how this structure can work. Argentina expressed willingness to lead on the issue. Egypt and others were unclear how the system would work, and for what purposes. U.S. and Japan expressed opposition to compulsory assessments.

COMMENT

¶13. (SBU) While the meeting ended without definite agreements, it did crystallize the positions of various delegations and reveal areas of possible cooperation. There seems to be a growing consensus that UNODC and its member states need to first define what core activities are, and what are not. UNVIE has yet to find anyone, either in UNODC or out, who is willing to give an opinion on this topic. And UNODC officials are not nearly as enthusiastic about member state attempts to increase the organization's RB apportionment as they are about expanding contributions to the General Purpose Fund, which allows more spending flexibility than the regular budget. Nevertheless, there seemed to be little stomach for a VISC mechanism, nor much enthusiasm for a voluntary agreement to dedicate general purpose fund contributions.

¶14. (SBU) However, there seems to be some cross-regional interest in thematic and regional programming. Although such funds would still be considered earmarked, they may allow for increased UNODC flexibility and buy-in by G-77 countries, and the ability for major donors to retain control over where earmarked dollars are spent.
End Comment.

Schulte